



June 8, 2021

**VIA EMAIL: [RULE-COMMENTS@SEC.GOV](mailto:RULE-COMMENTS@SEC.GOV)**

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: File No. SR-FINRA-2021-009: Proposed Rule Change to Adopt a Supplemental Liquidity Schedule, and Instructions Thereto, Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)**

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> submits this letter to the Securities and Exchange Commission (“Commission”) in connection with the Commission’s request for public comment on Financial Industry Regulatory Authority Inc.’s (“FINRA”) File No. SR-FINRA-2021-009: Proposed Rule Change to Adopt a Supplemental Liquidity Schedule and Instructions Thereto Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information) (the “Proposal”).<sup>2</sup>

SIFMA and its members appreciate this opportunity to provide comments on the Proposal and are grateful for the active engagement we, as well as other industry participants, have received to date from FINRA in connection with the Proposal. In this letter, we highlight recent

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> FINRA, Filing Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934, *Proposed Rule Change To Adopt a Supplemental Liquidity Schedule, and Instructions Thereto, Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)*, File No. SR-FINRA-2021-009, available at <https://www.finra.org/sites/default/files/2021-04/sr-finra-2021-009.pdf>. (hereinafter, the “Proposal”).



developments pertinent to the Proposal and provide recommendations that would support a more efficient and streamlined process for reporting supplemental FOCUS information.

## ***I. Background***

On May 18, 2021, the Commission’s notice of the Proposal, which solicited public comment, was published in the Federal Register.<sup>3</sup>

FINRA Rule 4524 provides in part that, as a supplement to filing FOCUS Reports required pursuant to Rule 17a-5 under the Securities Exchange Act of 1934<sup>4</sup> and FINRA Rule 2010, each member, as FINRA shall designate, shall file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. Pursuant to FINRA Rule 4524, FINRA is proposing to adopt a Supplemental Liquidity Schedule (“SLS”), and Instructions thereto. The SLS was “designed to improve FINRA’s ability to monitor for events that signal an adverse change in the liquidity risk of the members that would be subject to the requirement.”<sup>5</sup>

Unless otherwise permitted by FINRA in writing, the SLS would be required to be filed by each carrying member with \$25 million or more in free credit balances and by each member whose aggregate amount outstanding under repurchase agreements, securities loan contracts and bank loans is equal to or greater than \$1 billion, as reported on the member’s most recently filed FOCUS report. FINRA notes that out of the approximately 85 to 100 firms to which the Proposal would apply, about one quarter of those are members of large bank holding companies (“BHCs”).<sup>6</sup> This subset of firms is required to provide similar information in reporting at the BHC and material

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<sup>3</sup> *Notice of Filing of a Proposed Rule Change To Adopt a Supplemental Liquidity Schedule, and Instructions Thereto, Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)*, File No. SR-FINRA-2021-009, 86 Fed. Reg. 27005 (May 18, 2021).

<sup>4</sup> 17 C.F.R. § 240.17a-5.

<sup>5</sup> Proposal at 4.

<sup>6</sup> Proposal at 9.



entity (e.g., a FINRA-member broker-dealer) level to the Board of Governors of the Federal Reserve System (“Federal Reserve”).<sup>7</sup>

## ***II. Comments***

### **1. Timing for SLS implementation**

As FINRA has noted, a number of FINRA-member firms, as a result of having BHC affiliates, are also subject to the liquidity reporting regime established by the Federal Reserve.<sup>8</sup> Much to the appreciation of SIFMA and its members, FINRA has been receptive to aligning the SLS reporting categories with the Federal Reserve’s 5G reporting framework and has considered the impact and costs associated with FR 2052a reports in the Proposal. Over the course of the Proposal’s development, the Federal Reserve has begun the transition from a 5G reporting framework to a 6G reporting framework for FR 2052a reports. The Federal Reserve is transitioning to its 6G reporting framework for FR 2052a reports over a timeline that is expected to overlap with the implementation of the SLS.

Because certain FINRA-member firms must also submit FR 2052a reports to the Federal Reserve, we propose that the timing for SLS implementation should consider the burden of 6G reporting implementation. Firms are expected to be working on the implementation of the Federal Reserve’s 6G reporting through the end of 2022, over much of the same time period as they would be expected to implement the SLS. In consideration of resource constraints that 6G reporting implementation will place on firms’ operations, we ask that either (1) the implementation timing for the SLS be aligned with the implementation of 6G reporting or (2) additional time be allotted for the implementation of the SLS.

### **2. Consideration of efficiencies with respect to FINRA and Federal Reserve reporting regimes**

FINRA has acknowledged that some of the reporting requirements for the SLS may be duplicative of information that must be reported to the Federal Reserve on FR 2052a reports.<sup>9</sup> Given that information provided under the 5G/6G reporting frameworks will be similar to SLS reporting categories, we propose that the SLS contain an “overlay” that is mapped to the 5G/6G

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<sup>7</sup> Proposal at 9-10.

<sup>8</sup> See FR 2052a, *Complex Institution Liquidity Monitoring Report*.

<sup>9</sup> Proposal at 24 (“To the extent there is some overlap in reporting....”).



reporting frameworks. Such an overlay with respect to the SLS would correspond to the designations of 5G/6G reporting, effectively consolidating certain reporting categories where the respective categories and definitions align for FINRA and the Federal Reserve. This consolidation would streamline the reporting process for firms that must file with both FINRA and the Federal Reserve and would not impact firms who are not required to report to the Federal Reserve. We expect that this solution would be useful for larger firms by reducing reporting costs for the SLS and supporting efficiencies in their operations while still allowing for comparability across firms.

### ***III. Conclusion***

SIFMA and its members appreciate the opportunity to comment on the Proposal. We appreciate FINRA and the Commission's efforts to promote efficiencies in required reporting and hope that our feedback is helpful in developing an improved reporting regime.

Very truly yours,

A handwritten signature in black ink, appearing to read "K. Zambrowicz", is written over a faint, light-colored rectangular stamp or watermark.

Kevin Zambrowicz  
*Managing Director & Associate General Counsel*

Cc: Marlon Paz, Mayer Brown